



General Assembly

Substitute Bill No. 5494

February Session, 2016

* HB05494F IN 032916 *

**AN ACT CONCERNING THE SALES TAX ON SERVICES RENDERED
BETWEEN CERTAIN PARENT COMPANIES AND SUBSIDIARIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (62) of section 12-412 of the 2016 supplement
2 to the general statutes is repealed and the following is substituted in
3 lieu thereof (*Effective October 1, 2016*):

4 (62) (A) Sales of any of the services enumerated in subparagraph (I),
5 (K) or (L) of subdivision (2) of subsection (a) of section 12-407 that are
6 rendered for a business entity affiliated with the business entity
7 rendering such service in such manner that (i) either business entity in
8 such transaction owns a controlling interest in the other business
9 entity, or (ii) a controlling interest in each business entity in such
10 transaction is owned by the same person or persons or business entity
11 or business entities.

12 (B) For purposes of this subdivision, (i) "business entity" means a
13 corporation, trust, estate, partnership, limited partnership, limited
14 liability partnership, limited liability company, single member limited
15 liability company, sole proprietorship, nonstock corporation or a
16 federally-recognized Indian tribe; (ii) "controlling interest" means, in
17 the case of a business entity that is a corporation, ownership of stock
18 possessing [one hundred] at least eighty per cent of the total combined

19 voting power of all classes of stock entitled to vote or [one hundred] at
20 least eighty per cent of the total value of shares of all classes of stock of
21 such corporation; in the case of a business entity that is a trust or
22 estate, ownership of a beneficial interest of one hundred per cent in
23 such trust or estate; in the case of a business entity that is a
24 partnership, limited partnership or limited liability partnership,
25 ownership of [one hundred] at least eighty per cent of the profits
26 interest or capital interest in such partnership, limited partnership or
27 limited liability partnership; in the case of a limited liability company
28 with more than one member, ownership of [one hundred] at least
29 eighty per cent of the profits interest, capital interest or membership
30 interests in such limited liability company; in the case of a business
31 entity that is a sole proprietorship or single member limited liability
32 company, ownership of such sole proprietorship or single member
33 limited liability company; in the case of a business entity that is a
34 nonstock corporation with voting members, control of one hundred
35 per cent of all voting membership interests in such corporation; and in
36 the case of a business entity that is a nonstock corporation with no
37 voting members, control of one hundred per cent of the board of
38 directors of such corporation; (iii) whether a controlling interest in a
39 business entity is owned shall be determined in accordance with
40 Section 267 of the Internal Revenue Code of 1986, or any subsequent
41 corresponding internal revenue code of the United States, as from time
42 to time amended, provided where a controlling interest is owned in a
43 business entity other than a stock corporation, the term "stock" as used
44 in said Section 267 of the Internal Revenue Code means, in the case of a
45 partnership, limited partnership, limited liability partnership or
46 limited liability company treated as a partnership for federal income
47 tax purposes, the profits interest or capital interest in such partnership,
48 in the case of a business entity that is a trust or estate, the beneficial
49 interests in such trust or estate, and in the case of a business entity that
50 is a nonstock corporation, the voting membership interests in such
51 corporation, or if it has no voting members, the control of the board of
52 directors; (iv) a business entity has "control of" the board of directors of
53 a nonstock corporation if one hundred per cent of the voting members

54 of the board of directors are either representatives of, including ex-
55 officio directors, or persons appointed by such business entity, or
56 "control of" one hundred per cent of the voting membership interests
57 in a nonstock corporation if one hundred per cent of the voting
58 membership interests are held by the business entity or by
59 representatives of, including ex-officio members, or persons appointed
60 by such business entity.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2016</i>	12-412(62)
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FIN *Joint Favorable Subst.*